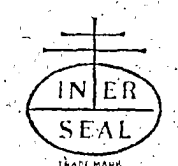


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NATIONAL BISCUIT COMPANY

ANNUAL REPORT

JANUARY 31, 1906

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To the Stockholders of

NATIONAL BISCUIT COMPANY

The following is the balance sheet of the Company at the close of business January 31, 1906.

ASSETS.

| | | |
|---|---------------------|------------------------|
| Plants, Real Estate, Machinery, Patents, etc. | \$52,657,443.73 | |
| Less Depreciation Account | <u>300,000.00</u> | \$52,357,443.73 |
| Cash | \$3,127,778.87 | |
| Stocks and Securities | <u>751,413.37</u> | |
| Accounts Receivable | 3,186,713.59 | |
| Raw Material, Supplies and Finished Product | <u>3,948,346.02</u> | \$11,014,251.85 |
| | | <u>\$63,371,695.58</u> |

LIABILITIES.

| | | |
|--|----------------------|------------------------|
| Capital Stock, Preferred | \$24,804,500.00 | |
| Capital Stock, Common | <u>29,236,000.00</u> | \$54,040,500.00 |
| Bonds Payable and Mortgages Payable Assumed at Formation of Company | \$ 1,814,000.00 | |
| Less Amount Paid | <u>727,531.38</u> | \$ 1,086,468.62 |
| Accounts Payable, Including Accrued Interest | | 394,648.84 |
| Balance January 31, 1905 | \$ 6,933,495.10 | |
| Earnings, 12 months to January 31, 1906, inc. | <u>3,822,338.02</u> | |
| | \$10,755,833.12 | |
| Less Dividends Paid 12 months to Jan. 31, 1906, inc. | <u>2,905,755.00</u> | \$ 7,850,078.12 |
| | | <u>\$63,371,695.58</u> |
| Sales, 12 months to January 31, 1906, inc. | | \$39,702,566.44 |
| Profits, 12 months to January 31, 1906, inc. | | 3,822,338.02 |
| Per Cent. of Profit to Sales | | 9.63 |

The sales and profits of the Company year by year, since its organization, have been as follows:

| | Sales. | Profits. |
|------|-----------------|----------------|
| 1898 | \$34,051,279.84 | \$3,292,143.10 |
| 1899 | 35,651,898.84 | 3,302,155.00 |
| 1900 | 36,439,160.00 | 3,318,355.19 |
| 1901 | 38,625,134.78 | 3,670,445.05 |
| 1902 | 40,221,925.08 | 3,689,338.09 |
| 1903 | 40,532,114.59 | 3,709,515.62 |
| 1904 | 41,040,495.80 | 3,731,927.80 |
| 1905 | 39,702,566.44 | 3,822,338.02 |

The balance sheet of the Company herewith presented shows its financial condition on the completion of the eighth year of its existence. Of the bonds and mortgages assumed at the formation of the Company, amounting to \$1,814,000.00, there has been paid off the sum of \$727,531.38, leaving a balance unpaid of \$1,086,468.62, none of which has yet matured. The accounts payable are simply the current bills for raw material and supplies, which were not adjusted before the close of the year.

Up to January 31st, 1906, the Company has declared and paid thirty-one consecutive quarterly dividends of one and three quarters per cent each on its preferred stock.

The first dividend of one per cent on its common stock was declared August 15th, 1899; including the dividend then declared, the Company has declared and paid twenty-six consecutive quarterly dividends of one per cent each on its common stock.

The Company itself has issued no bonds, and during the past two years has issued no stock.

The total number of stockholders of the Company immediately after its organization was about thirteen hundred. The total number now is over seven thousand. Of this number two thousand, two hundred and twenty are employees of the Company. Under the plan enabling employees to purchase our preferred stock, paying for it in installments, they have purchased seven thousand, two hundred and nineteen shares. This is exclusive of the large amount of stock, both common and preferred, held by our directors, officers and principal managers.

The evolution of our business is largely along the line of our In-er-seal trademark package goods, and, as stated in our last report, the manufacture of these goods can be conducted in large plants, situated at central points, with better results, both as to quality of the biscuit produced and the cost of their manufacture, than when scattered among a large number of plants, and this course resulted in the discontinuance of the baking of biscuit in several small plants, and the sale of such parts of the business as did not appertain directly to the manufacture and sale of biscuit; we also sold back to the former owners a couple of cracker factories and the business connected therewith, because they were not profitable to our Company in this evolution.

The course thus pursued involved last year a loss of sales theretofore reported in our total yearly sales, but not to the full extent as it did the year just closed. The increase of sales in other directions was not sufficient during the past year to overcome this loss. But the balance-sheet of the Company, showing increased profits and increased cash resources, indicates that the course we have pursued was not detrimental to the best interests of the Company.

We are pleased to state that the sales of our In-er-seal trademark package goods have shown a most gratifying increase during the year, the sales of Uneeda Biscuit alone showing an increase of several million packages over the sales of the preceding year. We are sure of a steady increase in the sales of these goods, as well as of our tin package goods.

It will be remembered that in our former reports we referred to our Tenth Avenue Factory, New York City, where we manufacture a general line of goods, and also to the fact that adjoining this factory we built two new buildings, one for the manufacture of Uneeda Biscuit, and the other for the manufacture of Sugar Wafers and for our offices. This plant, practically all under one roof, though separated by fire walls into distinct buildings, is the largest baking establishment in the world, having twenty-one acres of floor-space; but we already find that the capacity of this plant during the busy seasons of the year is overtaxed, both in our manufacturing and in our shipping departments. During the current year we expect to build additional buildings adjoining the present ones. While this will involve the expenditure of a large amount of money, these additional buildings are necessary to properly take care

of our increasing business, and we have no doubt the expenditure will be amply justified by the results obtained.

So many of the important questions, incident to the great changes which have been wrought in the operation and methods of our business since the organization of this Company, have been settled and disposed of, that we have been able during the year just passed to give more and more time to the quality of the goods manufactured and to improving the methods of handling the goods when manufactured, to the end that they may reach the consumer as nearly as possible in as good condition as when they come out of our ovens.

Upon the quality and condition of our goods when they reach the consumer, depends the value of the good will of this Company. The consumer is not obliged to buy our goods. There are numerous other manufacturers of biscuit in the country who are offering their goods for sale; but that the consumer appreciates quality and is willing to pay a fair price for it, is shown by the large business we have built up in a few years on our trademark package goods. It is this good will, flowing to us from the consumer and the retail grocer, which makes up the most valuable asset of this Company. Machinery will wear out and become antiquated; factories will burn; the personnel of the Company may change, but the good will of the Company remains and with good and honest management nothing can stop its progress, nor prevent a steady increase in its value.

Each year the organization of the Company becomes more efficient. The success of the past begets confidence for the future. Every one in the Company, from the highest to the lowest, works, and believing in the policy of the Company, works with an ever increasing confidence and enthusiasm.

Respectfully submitted,

A. W. GREEN,

President.

Directors.

| | |
|------------------|------------------|
| B. F. Crawford | F. O. Lowden |
| J. H. Douglas | S. S. Marvin |
| L. D. Dozier | T. S. Ollive |
| H. J. Evans | F. M. Peters |
| A. W. Green | N. B. Ream |
| H. M. Hanna | J. D. Richardson |
| F. L. Hine | S. A. Sears |
| J. B. Vredenburg | |

Officers.

| | |
|-------------------|-------------------------|
| A. W. Green | President |
| J. D. Richardson | First Vice-President |
| F. M. Peters | Second Vice-President |
| F. E. Bugbee | Secretary and Treasurer |
| J. U. Higinbotham | Assistant Treasurer |

Executive Committee.

| | |
|-------------|------------------|
| N. B. Ream | J. D. Richardson |
| F. L. Hine | F. M. Peters |
| A. W. Green | |